A Comprehensive Strategic Plan to Address Pakistan's Macro-Economic Deficiencies

BY: MUHAMMAD WALEED MEHMOOD

SECTION I: medium term stabilisation plan

Introduction:

The economy of Pakistan is currently undergoing a severe catastrophe, with depleting foreign exchange reserves, negative economic growth, increasing current account and fiscal deficit, and uncontrolled inflation. It is becoming more complex to navigate the central point of solution for this state of economy, yet through the Governance and Macro Economic expertise, the degree of this impossibility can be reduced.

Pakistan's economy is plagued by multiple areas of deficient attention. The uncontrolled corruption caused by the prevailing lawlessness stands out in significance in the factors in this state of economy. Further elevation is through the high inflation, continuously devaluing currency, uncontrolled Government expenditures and incumbent macroeconomic policies that are worsening the economic structure of Pakistan to the degree that it will sooner become a tough nut to crack.

Presently, the economy is facing a poor economic growth of 3%, followed by high price inflationary levels of more than 20%, according to the official statistics, and on ground, it is estimated that it seems to be surpassing 30%. The USD to PKR reaching a figure of 280 PKR with extreme level of shortage of USD in the country suggest a significant scale of corruption and financial crimes being committed in the

country. The Government treasury is undergoing a mass scale downturn, and the financial deficits are going through continuous inclinations. The monetary policy framework is designed on the most incompetent and conventional model that has been practiced for decades for undermining the actual position of the monetary side of the economy and showing a deceptive development.

The businesses in the country, particularly the manufacturing sector, are undergoing intense complications. The business environment became highly deincentivising. The deliberate urge for accumulation of high tax targets have made the tax system highly disproportionate with a set trend of continuous lag to meet the targeted tax needs. The factor that is more unfortunate is that yet, there are no steps taken to navigate the reasons behind this failure, but the politicisation of the economy and polarization of the resources have made the state of the country a tough row to hoe.

The need for gradually redevising the whole macroeconomic framework is essentially the primary course of action to take on. A rational, logical and critical inter relation of macroeconomic policies is necessitated to end the current period of crisis and uncertainties.

Fiscal policy: -

The country faces severe adversities in terms of the fiscal structures yet does not work on shifting it to a productive, rational and economically desirable manner. The irrational and complex structuring of the taxation system and revenue collection makes it difficult for both the taxpayers and the Government to adhere to the fiscal disciplines of macroeconomic decorum. If we cite the variables from the tax departments (FBR), we can clearly witness that there are absolutely no canons of taxation found in the tax system of the country that Adam Smith prescribed as an identity of a good tax system.

The tax revenue is a composition of more indirect revenues. This adds to the inflationary pressures and widening the gap between the rich and poor. This can be explicitly witnessed in Pakistan where the ruling elite has a lifestyle way beyond an average person could afford to live in. The differences in the revenue and spending (fiscal deficit) is not exclusively resulted by the corrupted tax filing practices , but also because of the unnecessary budget raised by the Government for every financial year , in which a substantial amount is deposited towards unnecessary expenditures , like Government protocols , purchases of imported luxury cars , extravagantly high defence budget **,** and the unnecessary royalties to

the current and former civil servants. This also includes the provision of grants, subsidies, and legal permissions that facilitate financial crimes, thus supporting corrupt cartels and mafias. These actions have led to the polarization and monopolization of essential products such as wheat and sugar.

In a nutshell, the fiscal policy needs a comprehensive assessment, reframing both variables i.e. taxes and spending, in a manner that is only desirable for the economy and the people. The restructuring shall account for:

1. **Fair distribution of direct and indirect tax (mostly direct tax oriented)**
2. **widening the tax base**
3. **Productive & rational spending**

The internal debt restructuring shall be initiated. The pending payments are as usual adding to the budgets and indirectly the payable taxes for the people. Moreover, the industries of the Government that are adding to the expenditures of the Government at an exponential rate. These deficits and payments necessitate tax revenues, especially indirect taxes, which harm economic welfare by increasing inflation. This forces individuals to pay taxes even when their income is insufficient.

The external debt management is a matter that needs to be addressed gradually , cautiously and transparently. It is evident that the current state of financial reserves of the country obstructs it for a smooth repayment of the debts and even the interest on them , but that is something that requires extensive check and balance , transparency in the flow of the process , exhibiting criticality and mathematical and statistical expertise to pay a rational and financially desirable set of repayments/ installments.

Monetary Policy:

The monetary policy, in the current scenario, is deepening the economic crisis by being influential on the money supply. The monetary policy volatilities have disrupted the industrial borrowing adversely. The deliberate attempt to reduce the devaluation of PKR and the corresponding changes in the monetary dynamics had shown brutal effects on the economy, including households , industrialists and Government itself too. The interest rate of 12% (double digit) have been a cause of significant damage to the economic

growth prospects. The attempt to increase the money supply, by the Government has resulted in a stagflation trap. This is a quite complex scenario and requires significant Government Intervention.

At this stage, any major fluctuation in the interest rate will be not effective due to high Interest Elasticity of Demand. A way that could position the monetary framework at a balancing position is driving the monetary policy to a desirable level by using other macroeconomic policies i.e. supply side, fiscal policy. It is complicated, somewhat irrational, yet the safest way to drive Pakistan out of the stagflation trap.

`Anti-Inflationary strategy

The supply side policies can be used to combat the inflation and improve the productive potential of the economy. The comprehensive assessment of the current position of the aggregate supply of the economy shall be placed at one derived or existing Standard International Unit using indexation and other mathematical applications to effectively navigate the current state of the economy and to design an effective framework / coordination of macroeconomic variable that adhere to the fragility of the economy as a whole. It is clearly visible that the growing continuation of current Government policies are pushing the economy to a point where it is difficult to return to the scale where there is a yet a margin of safety to optimal positioning of the economy without any compromise with the economic sovereignty.

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SECTION II

Core of the competent policies section

IMPORT SUBSTITUTION INDUSTRIALIZATION

The Import Substitution Industrialization is a protectionist strategy that the countries are widely using in order to protect their industries against the imports, as well as to reduce the level of imported inflation in their country. This is a long-term strategy that requires core and extensive level examination of the operational, marketing, and other departmental practices exercised by the international firms and industrialising the country on the basis of the observation of the import patterns arriving in the country.

The import substitution industrialisation can be a powerful tool to address multiple deficient areas of the economy. This policy does not only protect the industries and consumers of the country, but at macro level, it reduces the import bill, the exchange rate devaluation, and also corrects the trade balances of the country.

From producing the primary products to producing the major imports, the country requires a high scoped assessment of the products that are produced in the countries from which it imports. Even the micro level details substantiate the overall ability to create a competitive edge against the other countries. Exhibiting a multifaceted approach keeps the competitive level higher and proves the productive essence of the country into the competitive and ever-changing world.

Taking in to account the norms of international trade, there is a need to extend hands to another level, for the pricing and promotion. Since the country is adaptive to the International Standards and quality control aspects, the consumers who were using the imported products should not get exploited, due to the limitation of imported commodities. The import substitution policy's fundamentals are not to enforce the domestic products but to promote them, by crafting/producing them in the way that it becomes resembling to the quality standards that the consumers were expecting as a replacement for the international products. So, this policy is not executable in the short to medium term, but it is a long-term transformation of the economy that is covered with multiple challenges that are in it, not visible unless they strike.

The 3 broad sections of the challenges that are involved in the ISI are enlisted below:

1. The Quality Compatibility and it's indexation
2. The Exchange Rate adjusted price competitiveness
3. The promotional tactics practiced by international firms

The Import Substitution Policy implementation also needs to take scenario planning, i.e. the mean time competitive pressure handling and the potential barriers for the domestic firms, the elite status brands and their dominance in the market, the potential cartels against the domestic firms by international firms, as Pakistan is a large market for them.

For the effective implementation, a team comprising of the Government officials and technocrats shall be constituted in order to ensure that the policy is being followed smoothly and effectively

Dealing with the International businesses for establishing an Import Substitution scenario, is not something to be done unless there is a critical observation, analysis and conclusive patterns derived on different aspects of International Trade like standard conversion of price excluding the differences of exchange rate

Export Incentivisation Program

The Export Incentivisation Program shall be designed on principles of Standardised Quality Control measures that showcases commitment to the business ethics and working practices. The industries that are already engaged in the export activity shall be the one categorised in the EIP. The aim should be modifying and improvising them to such a scale that meets the highly competitive and ever changing world. This transition involves ignorance of the conventional business practices and working on the scale that provides legitimate, economic and cultural approval to the country where the scope of the exports is being diversified.

The legitimacy of the International Ventures shall be complied under the Internationally prescribed trade practices. These ventures include the Joint Ventures with other countries, International Bidding, and other international contracts. This showcases that our country complies with legal jurisprudence as provided under any case of corporate environment. The adaptivity to the legal norms and other trading aspects reflects readiness and constructs the image of a responsible business country.

The Export Incentivisation Program, initiating from the currently exporting countries would diversify to other industries, motivating and reframing them to export, in a refined manner. These compliances are difficult to meet, and quite harsh for a country like Pakistan in the short term, but the long-term privileges that the country would experience will be a transformational transition to Pakistan’s International trade which will position it in a leading world trading power.

The Export Incentivisation Program aims for:

1. **Improvising current international trade profile by incorporating the reforms inspired by latest International Trade Standards**
2. **Introducing new industries to exporting (diversifying industrial scope of export)**
3. **Practicing the compliances to the legitimate, economic and cultural aspects of international countries**

Skill based Education scheme

The education in Pakistan has been constituted on a non-productive and traditional framework. Education is primarily a test of memory, rather than conceptual understanding, refinement and application. The developed world , on the other hand , is focusing on refinement of skills of the students and making them adaptive to the latest developments in the world- the preparedness of the future challenges in the context of Artificial Intelligence's latest implications to the world and the transition of the world to the phase of development that has not been witnessed , at least since the past 100 years. The revolutionary wave that is striking the world is an exciting, yet horrifying phase because as we advance towards the AI's stage of AGI, probably in the 2030s, we would certainly observe major changes in the societal, technological aspects.

Pakistan, on the other hand, has yet not educated its youth about these dimensions/aspects of AI and yet, the students and other users are enjoying the comfort that application Chat-GPT are providing. We are yet not prepared for the horrifying society that is inclusive of AI driven changes that collaboratively and subsequently forms a transitional phase, which encloses the gaps between AI's derived scenario and the real happening, for what the AGI, ASI are going to be introduced. Unfortunately, Pakistan has been only given the exposure to AI for task replacement, minor deep fakes, entertaining stuff, but is unaware of the dark side of Artificial Intelligence, which will reshape the world in a highly negative manner.

It's just not about Artificial Intelligence. If we see the common universities , that are exclusive of A levels students or students of an average pre intermediate background, the skill level , the competence level for most of the students is even not up to the mark that it could deal with the set of curriculum exclusive of memorisation or what involves some conceptual understanding , critical thinking , understanding the context and logic , and constructing conclusions backed with logic , reasoning and evidence.

The lack of ability to deal with professional life skills i.e. communication skills, presentation skills, reflects that even with the education the students are getting, the students still do not develop the competence to match a globally or even a nationally competitive level. Even though, at this level, the intellectual maturity level shall be prominent enough that it adheres to the necessitated skills. This is not the right direction to take on, for the students, who are the future professionals, to take on, and this is perhaps a complete indication that given that we would not change our mindsets, and our curriculums, we would lag behind the world in everything, including the Technology, Governance, Medical, thus every aspect. So, it is important that since we have crossed the hinge generation without any productive advancements, we now take the responsibility and transform the traditional, conventional and unworkable curriculum framework that has been a source of disparity and complexity.

The fundamental purpose of the education is that in the professional world, the individual is equipped with comprehensive knowledge and the relevant skills and expertise to exhibit professionalism at the highest level, but if the standard of education is not up to the level that it incorporates the relevant skills, expertise to the individual, then the purpose of education is not met.

So, for this purpose, there is a need, not to make multiple variations, but to transform the education system completely and devise a new standard, improvised curriculum (SNC)- single national curriculum, which touches every area of transformative reformation of the educational system.

ECONOMIC DIGITALISATION

The economic digitalisation is a concept based on modernisation of the economy and integrating the technological applications and gadgets into the economy at a wider scale. The economic digitalisation in Pakistan is a thought provoking, yet a complex task with moderate feasibility. The economic digitalisation is not about digitising the governance, but to transform the whole economy as a tech centred entity that is not making the technology a part of economy, but to reshape the economy in a modernised digital entity.

The economy of Pakistan is lagged due to germ of the substantial informal section in the economy. The economic digitalisation not only addresses this problem but also formulate the way to improve the data collection , excluding the data from corrupt practices and transforming the economy according to the global standards. The economic digitalisation vision encompasses from the elimination of corrupt practices to transformation of the economy.

The digitalisation vision also aims to subsequently and effectively incorporate digital currency. This will subsequently change the monetary dynamics. The excessive printing of the currency that leads to continuous devaluation of the currency will be reduced to a great level. It will have an effect on multiple variables of the economy like inflation. The Interest Rate can become favourable for the economy ie potentially single digited .

The economic digitalisation vision aims to rationalise accountability practices. The transparancy can be obtained by the introduction of lie detection tests , AI powered data analysis to minimise human errors and practices of suspecting and objecting the accountability , the allegation of political involvement in the accountability.

The digitalisation vision also aims to introduce tech based manufacturing practices. The tech powered manufacturing can lead to cost effective manufacturing , reduced output prices , incresae domestic production , GDP , income of the people.

Education in Pakistan also needs a technological integration. There shall be an end on the traditional books centered academics and focus shall be on usage of other application that provide education. The system shall integrate in more technological applications for the effective learning.

CONCLUSION:

Pakistan's economic future is not dependent on short-term solutions or borrowed inflows, but on a comprehensive structural transformation based on institutional integrity, policy coordination, and economic vision. This recovery strategy has set out an integrated agenda of fiscal reforms, monetary restraint, export competitiveness, digital modernization, and human capital development—each servingas a pillar of long-term resilience.

But policy without implementation is theory, and vision without leadership is fantasy. For this recovery blueprint to become national renaissance, political stability, enforcement of anti-corruption, and public trust have to be absolute conditions. There could be no long-term growth in a system where short-term political considerationsoverride long-term thinking